City of Rockville

MEMORANDUM

November 25, 2009

TO: Scott Ullery, City Manager

FROM: Burt Hall, Director of Recreation and Parks

SUBJECT: RedGate Golf Fund - Update
Financial Performance, Business Plan, Future Options

This memorandum provides an update on the financial performance and status of the RedGate Golf Course and the Golf Enterprise Fund through FY 2009, information on how RedGate has performed prior to and during the Five-Year Business Plan, a look at the current status of the golf industry as a whole, and policy alternatives to consider for the future of the golf course and its associated financial management policies.

Background

Since it opened in 1974, the City has operated RedGate Golf Course in its own separate enterprise fund, with the policy/goal of covering all expenses via fees paid by course users. This includes direct and indirect operating costs, capital improvement expenses, debt service, administrative overhead and depreciation. It is the only City recreation facility operated within its own fund. All other recreation facilities, including the Swim Center, Senior Center, Civic Center, etc. are operated within the City's General Fund. It is common practice among U.S. cities and counties to operate public golf courses in an enterprise fund, requiring golf facilities to be financially self-supporting and thereby relieving the general taxpayers from bearing any golf-related expenses.

This policy of covering all costs from user fees is similar to the financial policies under which all of the City's enterprise funds are operated, including the Refuse Fund, Water Fund, Sewer Fund, Stormwater Management Fund, etc. Unlike the other enterprise funds (with the exception of the Parking Fund), RedGate operates in a competitive environment with other local/regional golf facilities. Therefore, in setting fees, the City must pay close attention to the local/regional golf market to compete for its share, while always attempting to maximize the number of golf rounds sold and dollars-per-round. In other words, higher fees do not necessarily translate to higher, bottom-line revenues when operating in a competitive environment.

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Since the course opened City residents have always been offered discounted rates on green fees. Last year the gap was narrowed between resident and non-resident fees to $1 per nine holes, as a way to improve dollars-per-round yield.

Another key to retaining existing customers and attracting new players is for RedGate to continue to meet or exceed customer expectations by providing a high-quality golf experience, in all facets.

For its first twenty-five years, through FY 1999, RedGate covered all of its costs and generally ended each year with a healthy fund balance. Since FY 2000 RedGate has ended each fiscal year "in the red." This has resulted in an accumulated, negative working capital in the amount of ($1,108,828) at the end of FY 2009

RedGate's three primary sources of revenue are sales of golf rounds, sales of annual passes (including multiple-play cards), and rentals of golf carts. Other revenue centers include the driving range, snack bar and pro shop, all of which combined generate only about *two percent* of total annual revenues. During the 1990s RedGate averaged in the range of 57,500 rounds purchased each year. For the past six years, since FY 2004, average rounds per year have dropped to 39,768, a 31% reduction.

The decline in sales of golf rounds is due primarily to an overall reduction of total rounds played in the area (consistent with nationwide trends), combined with heavy increases in the number of public and private-daily fee golf courses within easy driving distance of Rockville. Prior to 2000, the golf courses operated by the Montgomery County Revenue Authority (MCRA) were maintained at a substantially lower standard than RedGate, making RedGate the most desirable public, daily fee course in Montgomery County. RedGate has continued to offer consistently high-quality playing conditions since then. However, the Revenue Authority has greatly upgraded the week-to-week playing conditions of their courses, and implemented aggressive and effective marketing and pricing strategies. In addition, MCRA became the single golf course operator for all of the Montgomery County-owned courses when it took over operation of the four courses formerly managed by M-NCPPC in 2006. These upgrades to the quality of the Montgomery County golf courses have resulted in loss of local market share for RedGate.

A Look at the National Picture

RedGate's is not alone among public golf courses in experiencing difficulties in meeting its financial goal of operating on a self-supporting basis. The National Golf Foundation (NGF) recently published an article on "The Future of Public Golf in America," reporting results of a nationwide survey of 1,100 public golf course operators. NGF concludes, "The root of the problem is the 1990s golf course development boom."

Founded in 1936, the National Golf Foundation is the industry leader in providing relevant information and insights on the business of golf. It offers golf-business research, information and consulting services to companies and organizations nationwide, including over 6,000 member companies. RedGate is a long-time NGF member. Staff uses NGF's advice on course

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operations, marketing, customer service, maintenance protocols, and other business-related topics.

Below are some of the key points from the NGF study:

- Since the mid-1990s "there has been a growing imbalance between supply and demand. The number of golfers is up 16% since 1990 while the number of golf facilities is up 24%." (NGF has in the past listed the Mid-Atlantic as one of the most over-built golf markets in the U.S.).
- "Rounds volume has declined in the Mid-Atlantic region by 13% from 2000 to 2009."
- "Only about half of the course operators [in the NGF study] reported that they are doing well. About 1,500 courses around the nation are considered to be 'at risk.'"
- "Nearly 90% of the at-risk courses are experiencing operating losses. They have been particularly hard-hit by demand dilution. Rounds are off 30%-35% from peak and revenue is off 10%-25%. Sixty percent report having lowered their maintenance standards and almost 90% are deferring capital expenditures."
- NGF estimates that "5% to 10% of the 1,500 at-risk courses will close *per year* until supply and demand reach equilibrium."
- "Successful facilities show a higher degree of good management behaviors, including focus on customer service, strategic planning, player development, customer surveys, seeking new revenue resources and focus on improving the golf experience (e.g. pace of play). And they are less likely to engage in negative behaviors, such as cutting maintenance standards, delaying improvements and indiscriminant discounting."
- "Only 10% of Core golfers appear to be disenchanted with the game. Therefore, we believe demand is stable."
- "[NGF] estimates there are about 26 million Americans who are quite interested in playing golf right now, including 17 million who have never played golf and nine million who have had some previous exposure. Last year four million people acted on that interest (15% of the latent demand pool)."

- <u>[NGF] "Summary</u>
    - There is plenty of available public golf.
    - This is good for golfers but bad for facility operators.
    - Oversupply has affected almost every facility – but 15% very seriously.
    - 500-1,000 public courses are likely to close within the next five years, which may help to balance supply and demand.
    - Well-managed courses in populated areas are the most likely to thrive.
    - Existing demand is stable.
    - Latent demand exists.
    - As with past recessions, golf demand should not suffer very much during the current economic slowdown."

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- [NGF] "Conclusions
  - A large drop in demand is unlikely
  - But, a large increase is also unlikely.
  - So, the overall supply/demand imbalance is likely to continue (with market exceptions).
  - Therefore, operator difficulties are not transient, but semi-permanent."

Five-Year Business Plan

In March 2006, the Mayor and Council approved the following policy direction for RedGate:

- Maintain the golf course as an enterprise fund
- Restore the course to financial health
- Include additional marketing strategies
- Allow for the golf course to recover within a three- to five-year timeframe
- Include annual performance goals and benchmarks
- Identify the amount and source of subsidies that may be necessary during the recovery period
- Create a reserve that would cover three to six months of expenses
- Include a clear definition of success

In May 2006, the Mayor and Council approved the Five-Year Business Plan for RedGate Golf Course. The purpose of the plan was to inform and direct the City's efforts to restore RedGate to financial health. The key recommendations contained in the Business Plan, were:

A. RedGate should remain in an enterprise fund with the long-term goal of covering all direct and indirect operating costs, all capital costs, and generating cash reserves.

B. Through course playability and aesthetic improvements, and enhanced marketing, meet goal of increasing total rounds played by an average 1,220 rounds annually for the next five years.

C. The additional recommended marketing strategies should be implemented for the 2006-2007 season and future years, with adjustments each year. The recommended increase to the FY 2007 budget is $27,500.

D. Approve the addition of $20,000 to the commodities section of the operating budget to provide fully adequate funding for supplies for maintenance of key playability areas, putting greens, fairways and tee areas.

E. Continue to increase average dollars-per-round through careful research of trends in the local/regional golf market, strategic fee setting, demand pricing plans, expansion of golf outing rentals, and innovative programs to attract new customers.

F. Incentive programs to attract repeat players, including the season pass program, frequent player cards and multiple play cards should be continued. These programs will be evaluated each year for overall effect on bottom line revenues and adjusted as appropriate.

G. Fund necessary replacements of course maintenance equipment, mowers, aerator, sprayers, etc. The recommended five-year equipment replacement schedule is attached.

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H. To help ensure that course playability is consistently excellent, and as a necessary step to sustain and improve RedGate's competitiveness in the local golf market, the proposed infrastructure improvements program should be funded over the next three years, based on the prioritized list below.

The plan funded these capital improvements as a one-time grant subsidy to the RedGate Fund.

FY 2007	
Design and re-surface one putting green (#11)	$ 30,000
Purchase/install ventilation fans – 3 greens (#10, #11, #15)	$ 20,000
Purchase/install "Kirby System for fairways	$ 9,500
Design/construct clubhouse improvements	$ 10,000
Perform tree work adjacent to tee areas	$ 45,000
Total	**$114,500**
FY 2008	
Design and re-surface two putting greens (#1, #10)	$ 50,000
Resurface 15% of cart path system	$ 75,000
Design and re-surface practice putting green	$ 40,000
Total	**$165,000**
FY 2009	
Resurface 15% of cart path system	$ 75,000
Replace parking lot protection fencing	$ 18,000
Total	**$ 93,000**
Total Budget for Recommended Capital Improvements:	**$372,500**

I. Improve driving range as part of Gude Drive Maintenance Complex Improvements project. Work is scheduled in FY 2008. [No cost to RedGate]

J. Create a reserve policy, once financial health has been restored, of between three and six months worth of operating expenditures, currently between $300,000 and $600,000 that would serve as a contingency for future financial difficulties. This reserve account can only be created once the Golf Fund has a positive cash balance and is intricately tied to the overall City subsidy policy as this would be a funded contingency reserve.

K. Temporarily reduce the General Fund Administrative Charge to RedGate by 50% (during this five-year period), in order to assist with RedGate's Financial Recovery ($89,500 reduction in FY 07).

L. Establish a special program to allow low-income Rockville residents to play RedGate at a substantially reduced fee. This will complement the existing Recreation Fund assistance program.

M. Work closely with the RedGate Advisory Subcommittee and the general customer base to continuously evaluate the quality of all aspects of the operation and implement adjustments to consistently meet or exceed customer expectations.

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The City Manager and staff as part the budget process will evaluate these recommendations and financial operation goals annually.

Measures of Success for the Five-Year Business Plan
The key parameters for defining and evaluating the success of the Business Plan in terms of meeting its goal of restoring financial health to the Golf Fund were as follows:

Total Rounds Played

Actual FY 2004	Actual FY 2005	Projected FY 2006	Projected FY 2007	Projected FY2008	Projected FY2009	Projected FY2010	Projected FY2011
43,286	42,026	39,000	42,000	43,220	44,440	45,660	46,880

Average Dollars-per-round (Combined Greens Fees and Golf Cart Rentals)

Actual FY 2004	Actual FY 2005	Projected FY 2006	Projected FY 2007	Projected FY2008	Projected FY2009	Projected FY2010	Projected FY2011
$26.12	$25.89	$31.55	$35.00	$36.40	$37.86	$39.37	$40.94

Total Expenses and Revenues
See Attachment (Scenario C from the Business Plan – Recommended Model)

NOTE: There were four alternative financial operating scenarios presented by staff during the Mayor and Council's deliberation on the proposed Business Plan. Each scenario had different assumptions on expenses and revenues, and included varying levels of support from the City's General Fund to the Golf Course. Scenario C was the recommended scenario and was approved by the Mayor and Council. It included a 50% reduction in the administrative charge for five years, a General Fund grant of $372,500 for infrastructure improvements (as described above), and other increases to expenditures for marketing and equipment replacement.

Under Scenario C, rounds played were expected to increase by an average of 1,220 per year, and dollars-per-round were expected to steadily increase during the five-year period of the plan. At the end of the plan the Golf Fund was projected to still have a negative cash balance of $323,933. The course was projected to begin breaking even or better by the third year of the plan – FY 2009.

Five-Year Business Plan – Update
From the beginning of the Business Plan implementation, staff has reported to the Mayor and Council and to the public financial results as well as updates on Business Plan initiatives and projects. Financial statements are included as part of the regular quarterly Financial Reports on the Mayor and Council agenda. In addition, RedGate staff provides a report on rounds played, cart rentals, total fees paid, plus updates on activities and projects.

The recommendations involving 'action items' contained in the approved Business Plan have been implemented with few exceptions. Some capital projects that would complete planned course improvements are currently on hold awaiting direction from the Mayor and Council.

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These include, most importantly, alterations to the 11th hole to convert it from a par 4 to a par 3, which is the preferred design given the recently constructed stormwater management pond on that hole. The plan is to convert the 9th hole from a par 4 to a par 5 so the overall course par of 71 is maintained. Other elements of the capital plan still to be completed include improvements to the practice range and renovations to the tee area on the 4th hole. The total budget for these improvements is approximately $90,000, which is funded from the Business Plan capital grant to RedGate ($372,500), as described above.

Partially as a result of the benefits to RedGate provided via the Business Plan, and with a lot of hard and effective work by the golf course staff, the golf course has generally been in very good to excellent condition for the past three years. Putting greens, teeing areas and fairways have all been improved. Key maintenance equipment has been purchased as planned, both replacements and a few new pieces that have been put to good use.

New advertising/marketing strategies have been implemented to compliment publicity in Rockville's various media outlets. Utilizing the increased funding recommended in the plan, staff has purchased Comcast cable TV ads, weekly Gazette coupon/ads, ads in local foreign-language newspapers (Spanish, Korean, Chinese, Vietnamese), coupons in local/regional golf promotion magazines, direct mail, and various electronic media. In addition, the Pro Shop staff, working closely with the RedGate Advisory Committee, has accumulated a large email database that is used to promote specials, tournament participation, and general play. Each year the marketing programs have been evaluated for effectiveness and tweaked for the following year.

The proposed Capital Improvements funded by a grant from the General Fund, have been carried out with a few adjustments. These have resulted in some well-received improvements, including lengthening the driving range, dramatic improvements to the furniture and fixtures in the clubhouse, tree work, cart path renovations and others.

Revenues

In the two years of the Business Plan (FY 2007 and FY2008), total annual rounds increased significantly and revenues were above FY 2006 totals in both years. Rounds played fell significantly, however, in FY 2009. Below is chart showing rounds played and total revenues by fiscal year.

History of Rounds Played and Total Revenues – FY 2004 – FY 2009

Fiscal Year	Rounds Played	Total Revenues
FY 04	43,289	$1,151,069
FY 05	42,026	$1,102,123
FY 06	36,068	$1,083,059
FY 07*	39,538	$1,147,648
FY 08*	41,116	$1,170,655
FY 09*	36,571	$1,076,150

*Business Plan Years (does not include General Fund transfer)

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Dollars-per-round has essentially remained static in the first three years of the Business Plan – see graph below, page 10. The principal means for RedGate to improve dollars-per-round is by charging higher prices for greens fees and cart rentals. Given the highly competitive local/regional golf market it has been difficult to raise prices significantly during the past three years. Prices were increased by a larger percentage than in previous years for the current 2009-2010 season.

A report on revenues and other Business Plan Performance Measures, provided by the Finance Department, is included below on pages 10-15.

Expenses

In FY 2009 expenditures were $99,108 above FY 2008 totals. The chart below describes the sections of the budget in which increases occurred.

Expenditure	FY08	FY09	Increase	Notes
Salary/Benefits	$732,932	$805,091	$72,159	• Salaries, benefits, COLA and merit increases for F.T. staff ($51,703) • GASB 45 contribution ($19,475), • $0.40/hour increase in min. wage ($891)
Water/Sewer	$0	$20,760	$20,760	• First year charged*
Other contracts, commodities, equipment etc.	$418,919	$425,108	$6,189	• Primarily unit-cost increases of chemicals, building materials, printing, equipment parts, property insurance etc.
Total Increase – FY 08 - 09			$99,108	

*Water/sewer charges were implemented for all City facilities beginning in FY 2009. Prior to that the cost of water/sewer usage by City buildings and parks was absorbed in the Water and Sewer Funds. Under the new policy, City facilities, including RedGate, now pay water and sewer charges, which removes the burden of these charges from the residential and commercial rate-payers.

RedGate staff continues to diligently keep spending as low as possible for items they directly control and/or influence when working with other divisions such as Motor Vehicle Maintenance.

The above analysis of increased expenditures includes primarily direct expenses in the RedGate cost centers, plus some other expenses from charges generated in Public Works, Motor Vehicle Maintenance, and Recreation and Parks/other divisions. Unit costs for many key supplies, materials and chemicals have increased. There are also new expenditure categories that have been added to the operating budget

An example in which tight spending controls are being implemented is the part time/temporary staff account line. Twenty-two of RedGate's thirty temporary positions were working at the former minimum wage rate that was increased by $0.40 or 6.5%. The part-time/temporary expense was also affected by the freezing of a full-time, front-line Pro Shop position. The duties of this position were covered instead with part-time employees at a lower hourly rate. Overall FY 09 spending for part-time/temporary help increased by only $891 or 0.7% - $116,447 in FY 09 compared to $115,556 in FY 08. Overtime spending for FY 09 was held to a $2,648 decrease compared to FY 08. Major vehicle and equipment replacements are being carefully scrutinized and postponed whenever feasible.

Staff does not recommend consideration of further reductions in expenditures, as the budget is already set at a "bare bones" level. Further spending reductions would result in negative effects on the course playing conditions and customer service, as well as clubhouse operations and maintenance, particularly if staffing levels were further reduced. It is also important to continue to properly maintain equipment and to fund replacements when necessary. Further reductions in spending would have the effect of creating a 'downward spiral' that would make the course less attractive to customers.

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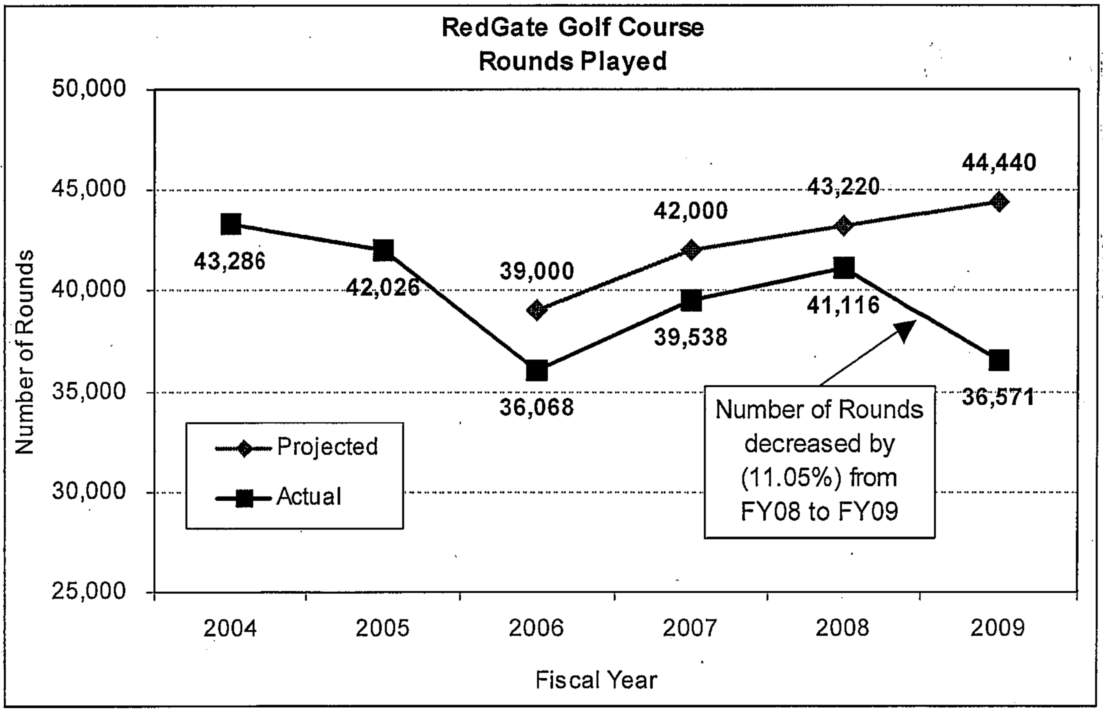
RedGate Financial Results – FY 2009; Third Year of Five-Year Business Plan

The following charts reflect the audited results for RedGate Golf Course through FY 2009, which is the third year the Plan has been in place. Information has been updated from what was presented in March 2009.

Rounds Played – The chart below reports rounds played from FY 2004 through FY 2009. Rounds played increased during the first two Business Plan years, but decreased significantly in FY 2009, the third year. Rounds played in all three years are lower than projected in the Business Plan.



Source: Redgate Staff

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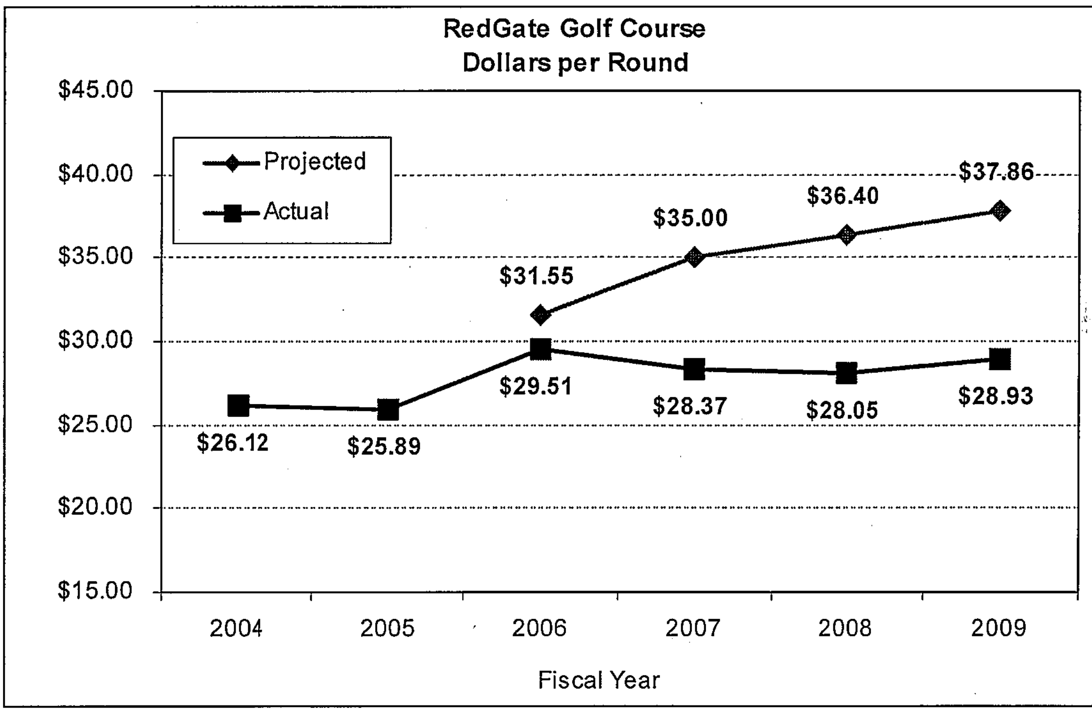
Dollars-per-Round – The chart below reports Dollars-Per-Round (DPR) earned from FY 2004 through FY 2009. DPR is calculated by dividing total revenues (from greens fees and carts rentals) by the number of rounds played. DPR has been substantially lower than projected in each year of the Business Plan.



Source: Calculated by Finance Dept. (Green Fees and Cart Rentals/Rounds Played)

Attach A

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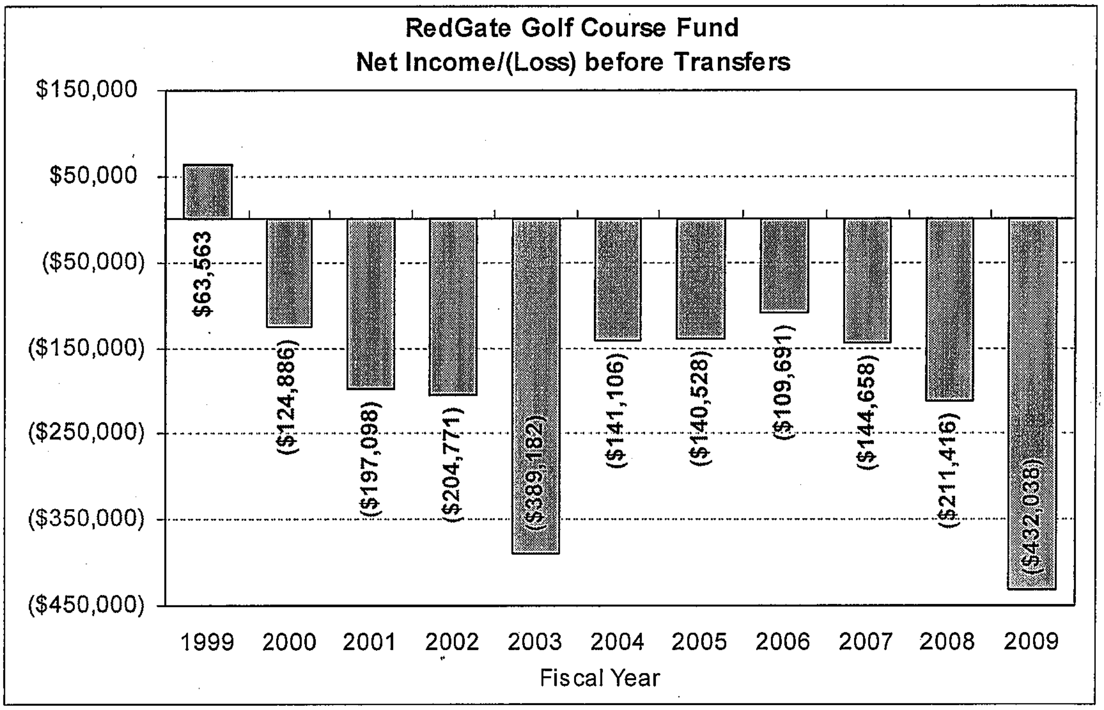
Net Income/(Loss) Before Transfers – The chart below reports the "bottom line" for the previous eleven fiscal years, the net income or loss, counting all direct and indirect costs, overhead and depreciation, and all golf course revenues.



Source: audited FY 2009 results

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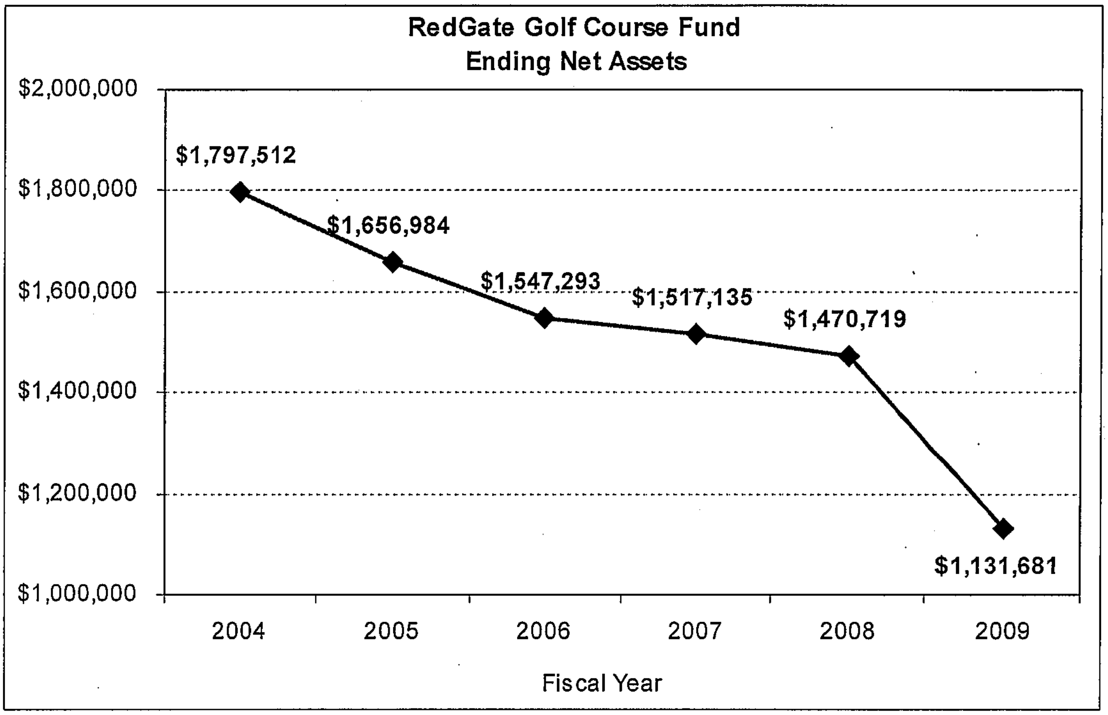
Net Assets – The chart below reports the Golf Fund's net assets from FY 2004-FY 2009. It includes all long-term assets and liabilities, and is a measure of "worth" or "value."



Source: audited FY 2009 results

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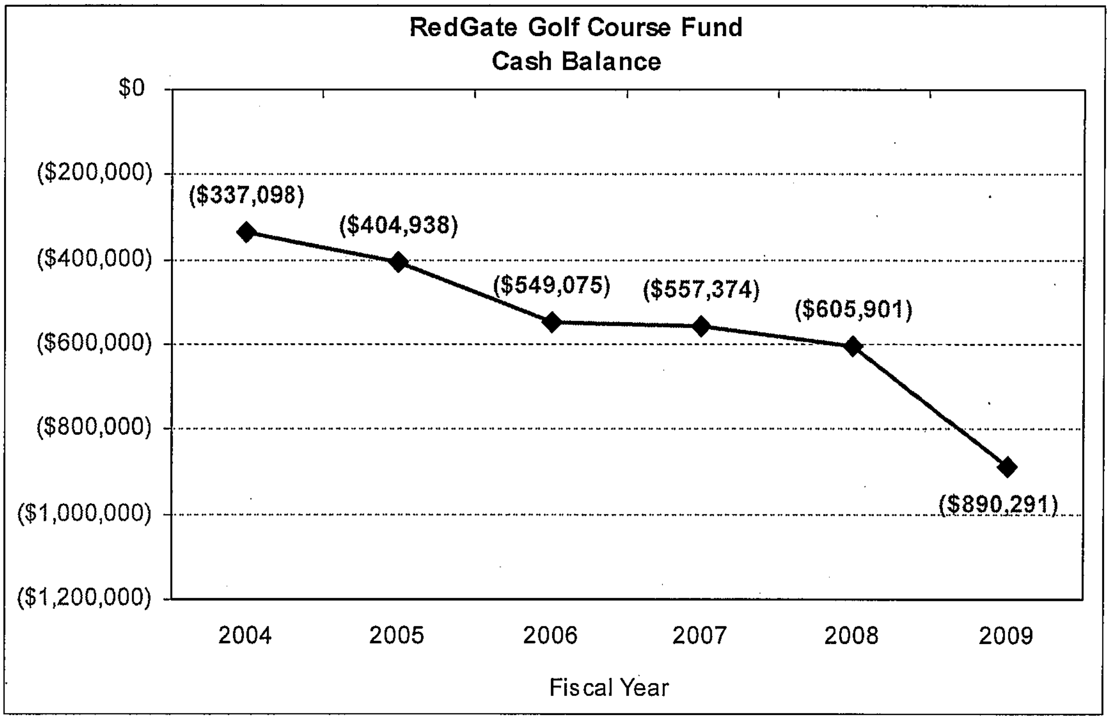
Cash Balance – The chart below reports the ending cash balance for the Golf Fund from FY 2004-FY 2009. This reports cash assets or liabilities not counting depreciation.



Source: audited FY 2009 results

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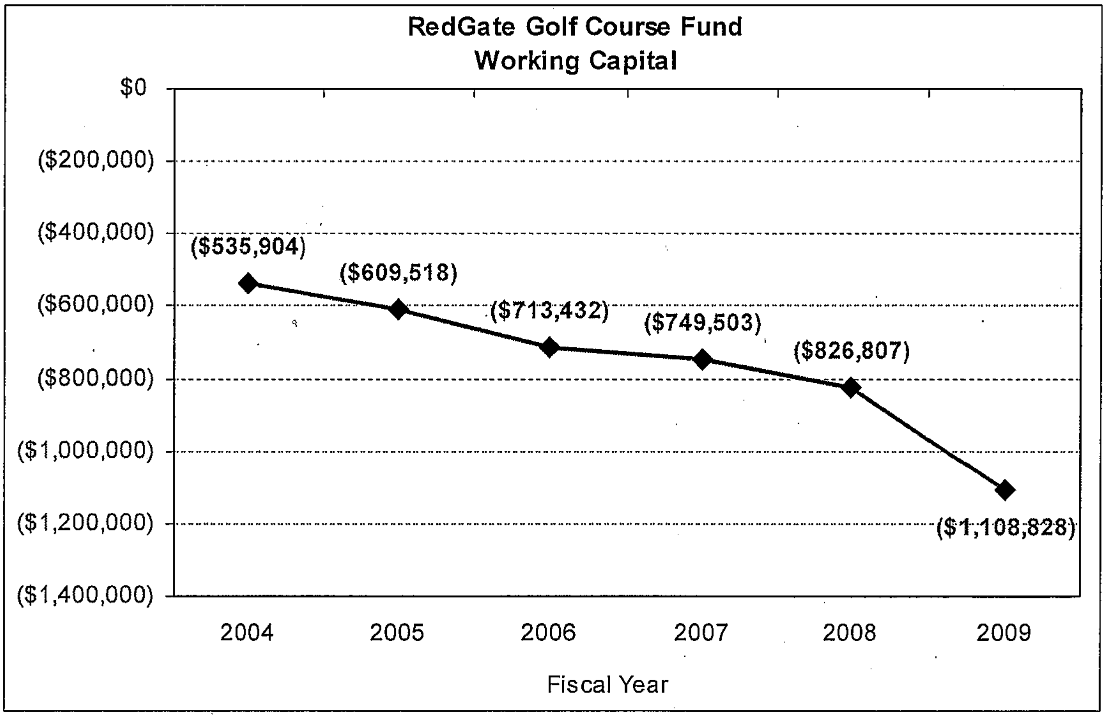
Working Capital – The chart below reports the amount of working capital in the Golf Fund from FY 2004 – FY 2009. This reflects current assets vs. current liabilities, or resources to meet current obligations.



Source: audited FY 2009 results

Staff presented the Mayor and Council with financial information in regards to the Redgate Golf Course on March 30, 2009.

"Staff is concerned that we will get to the end of the Plan period, and find ourselves with an accumulated deficit reaching $1,580,467 in FY 2011 with no way out other than to obtain the funds from the City's general fund with its concomitant impact on general programs and services."

The updated projected accumulated deficit at the end of FY 2011 in the budget book is $1,915,832.

The conclusion drawn from the March report is below.

"After two and a half years of the RedGate Plan, the data suggests that it is unlikely that the Plan will succeed, and a different course of action should be considered. Should the City not

pursue the option of outsourcing the operations and maintenance, it is imperative for the City to start addressing the deficit during the FY 2010 budget process. There is clearly a structural problem; too few golfers, and too many golf courses. RedGate cannot operate in the same manner that it has in the past, and cover 100% of its costs."

Future of RedGate Golf Course and the RedGate Fund – Policy Alternatives

It is clear that the short-term financial situation for RedGate Golf Course is marked by an existing, substantial fund deficit and the prospect of this deficit continuing to worsen over the next two to five years, under current operating and financial management policies. Assuming the market correction plays out, as predicted by the National Golf Foundation, involving closure of a number of local/regional golf courses, the future financial performance of the remaining golf courses should be improved.

Staff recommends that RedGate remain in an Enterprise Fund so that all expenses and revenues may be separately tracked and reported. There has been some discussion of moving the golf course into the General Fund. This would have the effect of reducing transparency of RedGate's financial condition, as full accounting of overhead expenses and depreciation would no longer be reported. It would make it difficult to accurately report how the golf course is performing financially, and to continue to provide 'apples-to-apples' trend data on performance relative to prior years.

Listed below are the policy alternatives the City may consider for future operation and financial management of RedGate. They represent what staff understands to be the full continuum from maintaining the status quo, operations wise, to the choice of the City getting out of the golf business.

Options Going Forward

A. **Continue Operating the Golf Course Per Status Quo – No Formal Subsidy.**
Continue to attempt to break even or better financially, keeping in mind that the five-year forecast indicates the need for ongoing subsidies. In years that end up in the red, the overall fund deficit would continue to grow larger.

B. **Continue Operating the Golf Course Per Status Quo – Formal Subsidy**
Continue to attempt to break even or better financially. In years that end up in the red, provide a formal General Fund subsidy to prevent the overall fund deficit from growing larger.

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A corollary to this policy alternative would be a decision whether or not to make transfers to the RedGate Fund from the General Fund to erase the current working capital deficit. If this policy were approved, it would be prudent to make the transfer over a number of fiscal years. This would allow for the amount of the transfer to be adjusted based on the financial performance of the Golf Course.

Next Steps – Options A or B

If the preferred option is either A or B, continue operating the golf course, staff will provide to the Mayor and Council projections for the financial status of the Golf Fund for the next five years, including the amount of General Fund subsidy the Golf Course would require.

One option for the subsidy could include accounting of the cell phone tower revenues in the Golf Fund, although this would not entirely remove future need to further subsidize the Golf Fund.

NOTE: A subsidy to the Golf Course would require reductions in spending in other General Fund budget categories to compensate. As the budget process progresses, the Mayor and Council may decide to provide specific direction to staff on what other budget areas to reduce, or the staff can provide recommendations for consideration by the Mayor and Council

C. **Outsource the Operation and Management.**

Via an open public proposal process (RFP), outsource operation and management of the golf course. This opportunity would be advertised to all private-sector golf course management companies as well as the Montgomery County Revenue Authority. There are a number of common models for outsourced management of municipal golf courses. If this is the preferred option staff will research best-practice specifications for the RFP and propose options for an outsourcing model.

NOTE: In each of these options involving a policy decision to outsource the golf course, the employment situation of the current RedGate staff will be altered, as the management company would become the employer. It would be important to include provisions in the contract requiring the management company to offer positions to all RedGate employees.

Next Steps – Options C

If the preferred option is to pursue outsourcing the operation and management of the golf course, staff will research best-practice specifications and propose options for an outsourcing model.

NOTE: This option may require continued subsidy of the Golf Course, as in the more common models for outsourced course management, the municipality and the management company share both net income and net losses in any given year.

If this option is pursued, staff recommends that the RFP include a provision requiring the management company to offer employment to all affected RedGate employees.

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D. **Close the Golf Course – Convert to Alternate City Use**. Convert the property to an alternative City use such as a park or other City-owned facility.

E. **Close the Golf Course – Lease or Sell the Property**. This would require identifying a list of potential desired re-use opportunities. The land would need to be re-zoned for other permitted uses.

Next Steps
If this option is pursued, staff will provide analysis to the Mayor and Council of potential alternative uses for the RedGate Golf Course parcel, and estimates of land value under various re-development and zoning scenarios.

Attachment:

cc: Recreation and Park Advisory Board
RedGate Golf Course Advisory Subcommittee
Ray Evans, Golf Course Superintendent
Kieron Mooney, Head Golf Professional
Gavin Cohen, Finance Director
Stacey Tate, Budget Officer

Attach A

Scenario C – Recommended

FY 07 - FY 11 BUDGET
GOLF CASH FLOW PROJECTIONS
BUSINESS PLAN MODEL AS RECOMMENDED

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	
Cash flows-operating activities:							
Cash received-charges for services	840,950	912,382	981,134	1,054,241	1,131,922	1,214,537	
Cash received-concessions	12,480	13,000	13,910	14,884	15,926	17,040	
Cash received-golf carts	274,515	288,121	309,832	332,918	357,449	383,538	
Cash received-pro shop annual rental fee	4,250	4,200	4,250	4,250	4,250	4,250	
Cash received-driving range	1,560	1,500	1,605	1,717	1,838	1,966	
TOTAL PROJECTED REVENUES	1,133,755	1,219,203	1,310,731	1,408,010	1,511,385	1,621,331	
Cash payments for goods/services	(290,424)	(373,017)	(380,477)	(388,087)	(395,849)	(403,766)	
Cash payments to employees	(657,815)	(735,105)	(757,158)	(779,873)	(803,269)	(827,367)	
Administration costs	(173,380)	(89,500)	(92,185)	(94,951)	(97,799)	(100,733)	
TOTAL OPERATING EXPENSES	(1,121,619)	(1,197,622)	(1,229,820)	(1,262,910)	(1,296,917)	(1,331,866)	
Net cash by operating activities	12,136	21,581	80,911	145,100	214,468	289,465	
Cash flows-capital and related financing activities:							
City Subsidy	0	114,500	165,000	93,000	0	0	372,500
Construction of assets (CIP)	(8,356)	(114,500)	(165,000)	(93,000)	0	0	(380,856)
Principal and int. paid on bonds	(18,429)	(18,445)	(18,191)	(36,920)	(36,329)	(35,672)	
Golf Cart Lease	(15,324)	(30,648)	(30,648)	(30,648)	(30,648)	(30,648)	
Acquisition of assets	(44,319)	(110,918)	(52,230)	(48,775)	(42,063)	(43,445)	
Net cash by capital activities	(86,428)	(160,011)	(101,069)	(116,343)	(109,040)	(109,765)	
Net (decrease) in cash and cash equivalents	(74,292)	(138,430)	(20,158)	28,757	105,428	179,700	
Cash-Beginning	(404,938)	(479,230)	(617,660)	(637,818)	(609,062)	(503,634)	
Cash-Ending	(479,230)	(617,660)	(637,818)	(609,062)	(503,634)	(323,933)	
CITY SUBSIDY		(186,100)	(238,748)	(168,960)	(78,239)	(80,586)	(752,633)
ROUNDS OF GOLF PLAYED	39,000	42,000	43,220	44,440	45,660	46,880	

Cash Flow Assumptions:
2.0%-Payments for Goods/Services
3%-Payments to Employees
3%-Admin. Costs
Prin and interest based on debt service schedule
Golf Cart Lease is for 72 months fixed schedule
Round of Golf is worth $35 in 07+4% a year increase each year

Plan:
Admin costs at 40% for 5 years
Infrastructure expense of $372,500
City pays for infrastructure
Additional op expenses of $47,500 ($27,500+ $20,000) added in FY 07
Actual Equipment replacement added
Realistic increase of 1,220 rounds of golf per annum